FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 22, 2003

In Reply Refer To:
PG&E Gas Transmission, Northwest Corp.
Docket No. RP03-574-000

PG&E Gas Transmission, Northwest Corp.
1400 SW Fifth Avenue Suite 900
Portland, OR 97201

Attention: John A. Roscher
Director, Rates & Regulatory Affairs

Reference: Creditworthiness provisions for IT shippers

Ladies and Gentlemen:

1. On August 19, 2003, PG&E Gas Transmission, Northwest Corporation (GTN) filed revised tariff sheets[1] that provide shippers with an alternative means of establishing security for interruptible transportation (IT) service. GTN states that this design is an addition to its existing creditworthiness mechanisms, not a replacement. The revised tariff sheets are accepted, subject to the outcome of Docket Nos. RP03-70-000, et al., effective September 18, 2003.[2] Acceptance of this filing is in the public interest because it provides non-creditworthy IT shippers with alternative means through which to manage their security requirements and gas flows.

2. GTN's proposal would allow a shipper to establish a flexible credit account by dedicating any level of security to IT service. GTN adds that a firm shipper may designate any excess security originally provided to collateralize an FT service agreement as part of its flexible credit account. GTN states that this proposal was developed at the

---

[1] PG&E Gas Transmission, Northwest Corporation, FERC Gas Tariff, Second Revised Volume No.1-A, Third Revised Sheet No. 138, Page 1 of 2; Third Revised Sheet No. 138, Page 2 of 2; and Second Revised Sheet No. 139, Page 1 of 1.

[2] In these dockets, previous changes to GTN's creditworthiness provisions, including IT service, are pending. The pending tariff revisions are reflected on the tariff sheets in this docket.

request of its customers to give IT shippers additional flexibility in meeting their creditworthiness requirements.

3. The advantage to this flexible shipping account is that it allows an IT shipper to post a lower level of security than currently required under GTN's tariff. With such an account, a shipper can also establish a higher MDQ than would be possible under the existing credit provisions. Currently, IT shippers may be required to provide enough security to cover three months' worth of transportation charges. For example, a shipper with an MDQ of 1000 Dth/d, this means security in the amount of $23,670 ($0.2630 x 1000 Dth/d x 90 days). If the shipper wants to increase its MDQ to 2000 Dth/d, even for a week, it must post an additional $23,670 of security until it returns to an MDQ of 1000 Dth/d. Under GTN's new proposal, however, that same shipper could designate $25,511 as IT security and take service for 83 days at 1000 Dth/d and 7 days at 2000 Dth/d.

4. The trade-off for this flexibility is that the pipeline may discontinue service when the amount of security provided in a shipper's flexible credit account is not enough to cover one day of service at the shipper's MDQ. IT service will be restored when the shipper pays amounts due or provides additional security.

Notice and Comments

5. Public notice of the filing was issued on August 25, 2003 with interventions and protests due on September 2, 2003. No adverse comments or protests were filed in this proceeding. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2003)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted.

6. Calpine Corporation (Calpine) filed comments in support of GTN's proposal, but requested clarification regarding the use of excess FT security in the flexible credit account for IT transportation. Specifically, Calpine asserts that prior to commencement of a firm service agreement, and near the end of the term of the service agreement, GTN would hold three months' of transportation charges, over-collateralizing the service agreement. Calpine suggests that this excess FT security be available for the shipper's flexible IT credit account or returned to the shipper.

Discussion

7. GTN's flexible credit account proposal was created in response to shipper concerns and permits additional flexibility under GTN's tariff. It adequately balances the pipeline's need to hold security from non-creditworthy shippers while providing shippers an alternative credit arrangement that may better suit their needs. Moreover, this proposal will not adversely impact any other shippers on GTN's system, because the

pipeline will cease to provide service when the security in an account is insufficient to cover a shipper's request.

8. With respect to the issue raised by Calpine, GTN's tariff clearly states that three months of transportation charges must be posted as security prior to the commencement of FT service. If that security is then used to collateralize an IT contract, the shipper will not be eligible to receive FT service until the security is replaced. Upon the natural termination of an FT agreement, any security held by the pipeline will be returned to the shipper. However, there is no requirement that a pipeline return the security in increments. As long as the shipper is not creditworthy and wishes to receive firm transportation service, three months of security may be required. Calpine's requested clarification is denied.

9. The revised tariff sheets are accepted, effective September 18, 2003, as requested, subject to the outcome of Docket Nos. RP03-70-000, et al.

By direction of the Commission. [3]

Magalie R. Salas
Secretary

[3]Action in this proceeding was required on September 18, 2003. On that day and the following day, however, all Federal Government offices in the Washington, D.C. metropolitan area, including the offices of the Federal Energy Regulatory Commission, were officially closed.